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C O N F I D E N T I A L SECTION 01 OF 03 BRASILIA 002457

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TREASURY FOR PARODI; DEPARTMENT PASS USTR AND USAID/LAC

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SUBJECT: BRAZIL CORRUPTION SCANDAL UPDATE, WEEK OF 12-16
SEPTEMBER 2005

REF: A. BRASILIA 2219

[B](#). BRASILIA 2150

[C](#). BRASILIA 2082

[D](#). BRASILIA 2025

[E](#). BRASILIA 1979

[F](#). BRASILIA 1874

[G](#). BRASILIA 1973

[H](#). BRASILIA 1631

[I](#). BRASILIA 2242

[J](#). BRASILIA 2237

[K](#). BRASILIA 2305

[L](#). BRASILIA 2384

Classified By: Political Counselor Dennis Hearne. Reasons: 1.4
(B) (D).

[1](#). (C) INTRODUCTION. In two important developments this week in the continuing political scandals affecting Brazil's congress, President Lula da Silva's administration and the PT party (refs), Brazil's Chamber of Deputies (lower house) formally expelled Federal Deputy Roberto Jefferson, whose allegations unleashed the current crisis, and moved toward expulsion of Chamber President Severino Cavalcanti on bribery allegations. Cavalcanti's fall looks virtually certain, and succession scenarios for him are difficult to predict at this stage. The week's events point up both the increasingly tense and fragmented environment within Brazil's legislature and, at the same time, the relatively effective functioning of the institution's investigative and ethics processes. End introduction.

BRAZILIAN CONGRESSMAN JEFFERSON EXPELLED

[2](#). (SBU) On 14 September, by a vote of 313 to 156, the Brazilian Congress formally expelled Congressman Roberto Jefferson, the man whose allegations of PT party financial improprieties and vote buying triggered the political crisis that has shaken the Lula government and Brazilian politics generally for over four months now. Per refs, Jefferson launched his series of sensational revelations and allegations of corruption within the GOB, PT and its allied base -- most of which have been proven true in the investigations of recent months -- after Jefferson himself was implicated in corruption schemes linked to contracts in Brazil's postal service. Jefferson is the first of 18 federal deputies formally named in allegations to be expelled, and in this punitive action by he loses his mandate, the right to run for public office and other political rights for the next eight years. In his forty-minute defense speech, the vainglorious and orotund Jefferson introduced no new allegations. But he excoriated the PT for producing a corruption scandal of unprecedented proportions, called Lula a "lazy scoundrel," chastised his colleagues for allowing the Lula government and PT to reduce the Brazilian congress to "fratricide" when origins of the corruption "came from over there" (a reference to the Planalto Palace of the Presidency, across the Esplanade from the congress) and claimed to be proud of his role in exposing the dishonest and "inhuman" face of the PT to Brazil, even at the cost of his own political career.

[3](#). (SBU) Fearing he would have the same fate as Jefferson, Carlos 'Bishop' Rodrigues (PL), also involved in the bribes-for-vote scandal, resigned his mandate on 13 September. Others are expected to resign in the next few days: Vadao Gomes (PL), Jose Borba (PMDB), Paulo Rocha (PT), and the president of the Lower House Severino Cavalcanti (PP). Those who resign before proceedings against them begin will be free to run for re-election in 2006, while legislators who are expelled may not run for public office for the following eight years. In related developments, a temporary injunction ruling made on technical grounds by Brazil's supreme court on 15 September halted the expulsion process against former minister Jose Dirceu. Six other implicated congressmen have already benefited from similar injunctions.

SUN SETTING ON SEVERINO

[4](#). (SBU) Per ref m, Chamber of Deputies President Severino

Cavalcanti faced developments this week in bribery accusations against him which appear to point inevitably to loss of his position as chief of the lower house, and quite possibly his mandate as a congressman. Restaurant owner Sebastiao Buani said at a news conference on 8 September that he had been forced to pay about \$20,000 in kickbacks to Cavalcanti in 2002 and 2003 in exchange for a restaurant concession in the congress (ref m). Cavalcanti denied the accusations and stated that the documents presented by Buani were forged. Nonetheless, on 14 September, Buani publicly presented a copy of a check in the amount of 7,500 reais (approximately \$3,200) payable to Cavalcanti's personal secretary, Gabriela Kenia. Buani also presented to the

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Brazilian Federal Police copies of his bank statements showing the withdrawal of large sums of money, allegedly used to pay Cavalcanti. This documentary evidence, validated by a documents expert (though contested by a second expert presented by Cavalcanti) and supported by testimony by Buani and other employees of his restaurants, looks likely to seal Cavalcanti's fate. Cavalcanti's early efforts to challenge the allegations are fading, as he sought reclusion in his Brasilia residence at week's end. He is reported to be seeking a meeting with President Lula, who has waffled between support and an appearance of distance from Cavalcanti, and who Cavalcanti now reportedly believes has abandoned him.

15. (SBU) On 13 September, representatives from five opposition parties formally requested the removal of Cavalcanti on the grounds of "violation of parliamentary decorum", claiming that "someone accused of taking a small bribe can't judge others accused of taking big bribes". The head of the Ethics Committee stated he would open investigations. The only options realistically available now for the embattled Cavalcanti are: first, he may resign only the Chamber's presidency (which would be assumed by opposition PFL Deputy Jose Thomaz Nono) while fighting to keep his deputy's mandate; second, Cavalcanti may take personal leave from both the presidency and his mandate while the Ethics Committee conducts the investigations; and third, he may refuse to resign the presidency and the mandate while the investigations are underway, creating a chaotic impasse within the congress; fourth, he may resign both his mandate and the presidency before the Ethics Committee begins formal impeachment procedures, thus saving his right to run for office in 2006. There is no clear scenario or favorite at this stage for a replacement for Severino, and the increasingly free-for-all environment within the lower house makes predictions difficult. But the succession drama will be the next major spin-off story in the crisis that continues to roil Brazilian internal politics.

CPI CONTINUES TO INVESTIGATE MAYOR'S MURDER

16. (SBU) The congressional inquiry committee (CPI) on corruption related to bingo game operations and municipal kickback schemes called various witnesses to testify in the case of the 2002 murder of Santo Andre's PT mayor Celso Daniel (refs). On 15 September Sao Paulo police officers that conducted criminal investigations in 2002 were summoned to testify in closed sessions of the CPI, as was Gilberto Carvalho, President Lula's chief of cabinet. Carvalho was mentioned in earlier testimony by Francisco Daniel, brother of Celso Daniel. According to Francisco Daniel, his brother was involved in a corruption scheme to funnel payoffs on municipal contracts to PT campaign coffers, together with Carvalho and former minister (and then PT president) Jose Dirceu. Francisco Daniel claims crooked businessmen involved in the scheme commissioned the killing of Celso Daniel when he began to consider exposing their activities. Carvalho denied all of Francisco Daniel's allegations in the September 15 hearing, and the CPI is now reportedly considering convoking both Carvalho and Francisco Daniel to face off against each other in a joint hearing.

17. (C) Comment. Both the expulsion of Jefferson and the almost certain demise of Cavalcanti as Chamber President are key events, providing the strongest signs since last week's opening of expulsion procedures against 18 congressmen (ref 1) that powerful figures implicated in the scandals or other impropriety will be held to account. On balance, both events are likely to be seen as evidence that Brazil's legislature can and will police itself if placed under sufficient public scrutiny, and Jefferson's farewell exclamations that the government had succeeded in focusing the scandal on congress and inducing fratricide therein while avoiding further blame are given the lie by the continued plummet of Lula's standing in the polls. However, the vacuum emerging with Cavalcanti's demise may exacerbate for a time the sense of fragmentation and drift that is now undeniably prevalent in the congress. Emergence of a replacement figure who can lead the institution back toward coherence and comity would be a

salutary development for Brazil as it faces a continuing crisis.

CHICOLA